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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-06

SPONSOR Sandoval LAST UPDATED _____ HB 624

SHORT TITLE Developmental Disability Medicaid Rates SB _____

ANALYST Collard

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$3,150.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 49

Relates to SB 189

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
N/A	\$9,075.8	\$9,075.8	Recurring	Federal Funds Match

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

Developmental Disabilities Planning Council (DDPC)

Health Policy Commission (HPC)

SUMMARY

House Bill 624 appropriates \$3,150,000 from the general fund to DOH for the purpose of increasing Medicaid reimbursement rates to developmental disabilities waiver (DD waiver) program providers.

FISCAL IMPLICATIONS

The appropriation of \$3,150,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

HSD indicates the bill adds administrative costs to HSD to change existing DD waiver reimbursement rates and through waiver oversight responsibilities. It is anticipated that approximately 40 hours of staff time would be required to implement the rate increase. It would further cost approximately four hours of computer reprogramming time at a cost of \$500 to make the changes. This is a non-recurring cost.

HSD also notes the \$3,150,000 appropriation would be eligible for federal Medicaid match at the rate of 71.94 percent, or approximately \$9,075,800, for a total of approximately \$12,616,000, depending on the distribution of the appropriation by direct services and administrative costs. DOH analysis differs, indicating the \$3,150,000 appropriation for a DD waiver reimbursement rate increase would be eligible for federal financial participation (FFP) at the blended rate of 72 percent or \$8.1 million. The appropriation with FFP could cover an average rate increase of approximately 4.8 percent for services delivered by DD waiver providers.

SIGNIFICANT ISSUES

DOH also notes, as written, language in the bill suggests that DOH may be responsible for the Medicaid DD waiver program. DOH administers the DD waiver program through a Joint Powers Agreement with HSD. HSD/Medical Assistance Division (MAD), as the single state agency, is responsible for Medicaid programs including the establishment of reimbursement rates of service providers.

HSD states in past years, DD waiver providers have received rate increases when other providers such as dentists, pediatricians, and providers of services under the Medically Fragile Medicaid waiver program, targeted case management, obstetricians/gynecologists, and many others have not. An appropriation to provide a reimbursement rate increase for only DD waiver providers has the potential to create access to care issues for other Title XIX services where reimbursement rates are not increased due to current budgetary constraints. Additionally, an increase in reimbursement rates for DD waiver providers would require DOH and HSD/MAD to increase rates for other providers in order to maintain adequate access to services for other programs. The rate increases needed to maintain an adequate provider base for other programs would cause a significant increase in both DOH and HSD/MAD budgets.

DDPC indicates if Medicaid is not fully funded in FY07 the providers may see another decrease in reimbursement rates.

PERFORMANCE IMPLICATIONS

HSD notes a rate increase only for DD waiver providers without changing services to DD waiver recipients limits the ability of HSD/MAD to determine the most effective way to meet performance goals and contain Medicaid costs.

ADMINISTRATIVE IMPLICATIONS

DOH indicates the increased funding would require updating rate sheets, revised tracking and billing systems and developing other administrative tools which can be done with existing staff. A rate study may also be required.

HSD indicates the bill will have administrative implications for HSD to implement rate increases in both staff time and computer programming time.

HSD/MAD would have to verify and make assurances to the Centers for Medicare and Medicaid Services (CMS) that the increased reimbursement rate for providers will not increase the waiver expenditures to the point of exceeding 100 percent of the amount that would be incurred by the Medicaid program for these individuals, absent the waiver, in a hospital, a nursing facility, or an Intermediate Care Facility for the Mentally Retarded (ICF/MR).

DUPLICATION, RELATIONSHIP

House Bill 624 duplicates Senate Bill 49.

House Bill 624 relates to Senate Bill 189, which appropriates funds to serve additional individuals on the Developmental Disabilities waiver. The fiscal analysis of House Bill 624 contained herein is based on current individuals served. If the DD waiver were expanded to serve additional individuals, the funds allocated in House Bill 624 for provider rate increases may be sufficient to provide a rate increase of less than 4.8 percent because the funds for provider rate increases would need to be spread across a larger population.

OTHER SUBSTANTIVE ISSUES

HPC research indicates the Developmental Disabilities Waiver is a home- and community-based alternative to institutionalization in an intermediate care facility for the mentally retarded. The program serves individuals who are diagnosed with developmental disabilities per the state of New Mexico's definition, meet the same level of care criteria required for institutional care, and meet all Medicaid eligibility criteria for income and resources as those served in an institutional care setting. According to the Henry J. Kaiser Family Foundation, in 2003, approximately 18.1 percent of New Mexicans had some type of disability. Additionally, in FY02, approximately 10 percent of Medicaid enrollees were disabled, and the disabled accounted for 32.8 percent of Medicaid spending.

With regard to reduction in Medicaid reimbursement rates, HPC states, according the Human Services Department, provider reimbursement made by the New Mexico Medicaid program, effective with dates of service July 1, 2004, will be reduced by 1.5 percent. The reduction is said to be made due to serious Medicaid budget issues such as growing health care costs, the end of the federal enhanced rate for Medicaid funding, and the reduction of the normal rate of federal matching due to the increase in New Mexico's per capita income. The reduction applies to services provided under the Developmental Disabilities Waiver.

HPC also indicates the 2002 HPC Physician Survey indicated that physicians are leaving the state due to the Medicaid reimbursement rate, which was one of the top three reasons given for leaving.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

DDPC notes the additional appropriation is much needed to restore the payment rate cuts to providers. Providers are facing great challenges retaining good quality staff when other local businesses are paying much more than minimum wage.

KBC/nt:mt